

The International Association of Small Broker Dealers and Advisors

1620 Eye Street, NW, Suite 210 Washington, DC 20006

202-785-8940 ext. 108

pchepucavage@plexusconsulting.com

www.iasbda.com

The International Association of Small Broker-Dealers and advisers has received a written response from DTCC dated 7/28/06 to all commenters regarding the above referenced proposal. The essence of the response is that they acknowledge an impact on small firms but did not intend it. Their solution is for small firms to increase capital because they have no inherent right to transfer risk to other members. What DTCC fails to address is their status as a government regulated monopoly with the duty to not unnecessarily impact small firms. It is a status that DTCC often confuses when it argues as if it were a private corporation. The reason given for the increase is the Refco debacle. Refco was a big firm and logic compels that it is the big firms that provide systemic risk. DTCC has still failed to explain why there should not be a sliding scale for the premium based upon the actual risk presented. **IF THEIR REASONING IS ACCEPTED THAN ANY SRO CAN IMPOSE FEES ACROSS THE BOARD THAT UNDULY IMPACT SMALL FIRMS BECAUSE THOSE FIRMS SHOULD RAISE THEIR CAPITAL.** Taken to its logical conclusion, there is only room for big firms because small firms are too risky. That reasoning negates the requirement that SRO rules should not unfairly impact competition. If DTCC would provide a risk analysis of all its members, we believe it would be clear that perhaps 10 firms account for 90% of the risk. But that analysis is not available in the record because it would show that the smaller firms are not capable of causing REFCO RISKS. **THE COMMISSION SHOULD ASK DTCC FOR AN ANALYSIS OF WHICH FIRMS ARE CAPABLE OF SYSTEMIC RISK AND WHY THEY CANNOT INCREASE THEIR CAPITAL PROPORTIONATELY HIGHER..** In addition the presence of unregulated affiliates within the big firms would suggest a higher premium based on the Refco debacle. The real question here is whether an across the board increase unfairly impacts small firms and the answer is self evident. The commission should ask for more in depth analysis of the real risks involved.

Peter J. Chepucavage
General Counsel
Plexus Consulting
202-785-8940 ext 108.

[Donate to fallenheroesfund.org](https://fallenheroesfund.org)